

EXHIBIT 7

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LSTA explores standardization of claims trading, buyside fears creation of sellers' market; US Air lands in AMR debt – Distressed Briefing

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If the LSTA has its way, the esoteric world of bankruptcy claims trading is about to get a little less opaque and a lot more efficient.

The association is exploring ways to standardize documentation of claims trading, eliminating pitfalls that make current market practices clunky and expensive, LSTA General Counsel Elliot Ganz told Debtwire.

Currently, there is no industry standard way to document the buying and selling of bankruptcy trade claims. Individually stylized agreements are struck each time original claim buyers take an obligation off the hands of a vendor and then sell that position in a secondary deal to a new financial buyer.

This largely ad-hoc dynamic has created inefficiencies related to a host of issues that may arise from claim transference. Wrinkles such as arbitration, risk of open trade confirmations, and excess cost of legal counsel to broker transactions muddy the market and suppress liquidity, noted a buyside source and a trader, both of whom are in favor of standardization.

For the most part, big banks – those that typically serve as the original buyers from trade creditors – favor a shift to standardization because it would increase the likelihood of courts holding parties to their bargain and enforcing a trade confirmation if either party walks away, the buyside and trader continued.

However, a standard document may not capture all the variables and nuances of the bankruptcy claims world. That's because the standing and classification of claims can change over the life of a case due to a wide range of factors ranging from lease rejection claims to reclamation obligations, said a lawyer who represents hedge fund buyers of trade claims.

Moreover, critics of standardization note that a uniform documentation system could move more risk to the buyside because the LSTA would attempt to frame transfer documents in a way that evenly divides risk between both the original buyer and hedge funds that typically play the role of secondary buyer, said the lawyer. The current system, which allows for many of the trade terms to be negotiated on an individual basis, allows hedge funds the leeway to insert buyer-friendly language into the trading documents, he added.

The LSTA's Ganz cautioned that a standardization proposal is still in its preliminary stages.

Up in the air

Staying in the bankruptcy claims world, claims on the estate of MF Global will be up for grabs this week as SecondMarket plans to launch its second online auction, putting USD 8.6m of claims up for grabs, according to Andrew Gottesman, SecondMarket's head of bankruptcy claims. Last week [16

August], potential buyers got a look into the claims pool, which includes secured, unsecured, foreign, and trade claims.

Ahead of the 22 August bid deadline, prices for certain types of MF Global claims have clawed to near par levels, said Noah Heller, head of transactional practices at Katten Muchin Rosenman LLP. To date, MF Global customers have received 82% of the USD 5.5bn they are owed, according to court documents. In August, trustee Louis Freeh testified in a congressional committee hearing that MF Global customers will likely be made whole.

Besides MF, distressed trade claim buying and selling has been monopolized by Lehman Brothers. But a new kid is moving onto the block. Claims against AMR are beginning to trade, although still not at high volumes, since investors are hesitant to go all in due to lack of clarity around the status of the debtor's collective bargaining agreements, and uncertainty surrounding a merger with US Airways, Heller noted.

As part of its reorganization plan, the bankrupt airline seeks to cut more than USD 1bn in annual costs through changes in its labor contracts. Over the weekend, AMR made some headway to that end when flight attendants ratified a new labor contract. With the flight attendants now on board, that still leaves pilots as a key holdout for a new CBA. Last week Judge Sean Lane of the US Bankruptcy Court for the Southern District of New York dealt AMR a blow when he rejected its request to vacate pilot contracts.

"This definitely adds uncertainty as to whether American can emerge as a standalone," said a distressed trader.

That might be good news for would-be merger partner US Airways, which has been quietly buying up AMR's unsecured debt, the trader continued. Last month, US Airways announced in court documents that it has become an AMR creditor. While AMR has denounced US Airways' acquisition of its debt as a publicity ploy, the position gives US Airways a more prominent seat at the negotiating table, noted Joel Glucksman, chair of Scarinci Hollenbeck's bankruptcy and creditor rights practice. US Airways can now be heard because it has standing and therefore influence the plan of reorganization, Glucksman said.

by Reshma Basu